

AMENDED IN SENATE JUNE 26, 2003

AMENDED IN ASSEMBLY JUNE 2, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

## ASSEMBLY BILL

**No. 459**

**Introduced by Assembly Member Negrete McLeod**

February 14, 2003

---

---

~~An act relating to state employees.~~ *An act to amend Sections 22792 and 22793 of, and to add Sections 22793.3 and 22793.4 to, the Government Code, relating to the Public Employees' Medical and Hospital Care Act.*

### LEGISLATIVE COUNSEL'S DIGEST

AB 459, as amended, Negrete McLeod. ~~State employees; memorandum of understanding—~~ *Public Employees' Medical and Hospital Care Act.*

*The Public Employees' Medical and Hospital Care Act permits the Board of Administration of the Public Employees' Retirement System to contract with carriers for health benefits plans for employees and annuitants for a uniform term of at least one year, not to exceed 3 years.*

*This bill would instead require the Board of Administration to contract for these plans through multiyear contracts, and would eliminate the 3-year limitation on these contracts. The bill would require any carrier that contracts with the board to provide these plans to further provide specified disease management programs and incentives for the enrollment thereof, which include, but are not limited to, the elimination of drug refill copayments for patients with chronic diseases who enroll in these programs and who follow a specified*

*regimen. The bill would also create a Public Employees' Medical and Hospital Care Act Review and Advisory Panel to monitor compliance with these provisions and report certain recommendations and findings to specified legislative committees.*

~~Existing law provides that if any provision of a memorandum of understanding reached between the state employer and a recognized employee organization representing state civil service employees requires the expenditure of funds, those provisions of the memorandum of understanding shall not become effective unless approved by the Legislature in the annual Budget Act.~~

~~This bill would approve provisions that require the expenditure of funds of a memorandum of understanding entered into between the state employer and an unspecified employee organization, and would provide that the provisions of any memorandum of understanding that require the expenditure of funds shall become effective even if the provisions of the memorandum of understanding are approved by the Legislature in legislation other than the annual Budget Act.~~

~~This bill would provide that provisions of the memorandum of understanding approved by this bill that require the expenditure of funds shall not take effect unless funds for these provisions are specifically appropriated by the Legislature, and would provide that if funds for these provisions are not specifically appropriated by the Legislature, the state employer, and the affected employee organization shall meet and confer to renegotiate the affected provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     ~~SECTION 1.—The Legislature finds and declares that the~~
- 2     ~~SECTION 1. Section 22792 of the Government Code is~~
- 3     ~~amended to read:~~
- 4     ~~22792. (a) The board may, without compliance with any~~
- 5     ~~provisions provision of law relating to competitive bidding, enter~~
- 6     ~~into contracts with carriers offering health-benefit benefits plans~~
- 7     ~~or with entities offering services relating to the administration of~~
- 8     ~~health benefits plans. Every contract for health-benefit benefits~~
- 9     ~~plans shall be for a uniform term of at least one year, but may be~~
- 10    ~~made automatically renewable from term to term in the absence of~~
- 11    ~~notice of termination by either party a multiyear contract. Every~~

contract with entities providing administrative services with respect to the operation of the board's self-funded plan shall be on ~~such~~ *those* terms as the board in its discretion deems necessary or desirable.

(b) The board may fix the beginning and ending dates of contracts with carriers of health benefits plans and with entities offering services in connection with the administration of health benefits plans in a manner it deems consistent with administration of this part. Irrespective of any agreed-upon termination date, the board may extend a contract for a reasonable period of time, subject to existing terms and conditions or any new terms and conditions ~~which~~ *that* are agreed upon. ~~In no event shall the term of any contract exceed three years.~~

SEC. 2. Section 22793 of the Government Code is amended to read:

22793. (a) Each contract shall contain a detailed statement of benefits offered and shall include ~~such~~ *the* maximums, limitations, exclusions, and other definitions of benefits as the board may deem necessary or desirable.

(b) No contract ~~shall~~ *may* be made or plan approved ~~which~~ *that* excludes any person on account of that person's physical condition, age, race, or other status at the time of original group enrollment. Transfer of enrollment in any plan shall be open to all employees and annuitants in accordance with ~~the provisions of~~ Section 22813 ~~of this code.~~

(c) No contract ~~shall~~ *may* be made or plan approved ~~which~~ *that* does not offer to each annuitant whose enrollment in the plan is terminated other than by cancellation of enrollment, or each employee whose enrollment in the plan is terminated other than by cancellation of enrollment, voluntary separation from state service, or dismissal from state service for cause, the option to convert, without evidence of good health and within the time limits ~~which~~ *that* are prescribed by the carrier and approved by the board, to a nongroup contract providing health benefits. An employee or annuitant who exercises this option shall pay the full periodic charges of the nongroup contract, on the terms or conditions ~~which~~ *that* are prescribed by the carrier and approved by the board.

(d) No contract ~~shall~~ *may* be made or plan approved ~~which~~ *that* does not provide for grievance procedures to protect the rights of employees and annuitants.

1     (e) Each contract shall contain benchmarks for evaluating  
2     carrier performance based on current evidence-based “best  
3     practice” standards for disease management programs, including,  
4     but not limited to, medication adherence for the care of patients  
5     with chronic conditions.

6     SEC. 3. Section 22793.3 is added to the Government Code, to  
7     read:

8     22793.3. Any carrier that contracts with the board pursuant  
9     to Sections 22790 and 22792 shall do all of the following in  
10    relation to health benefits plans and disease management:

11    (a) Annually provide general patient population information to  
12    the board, including, but not limited to, the percentage of target  
13    groups enrolled in disease management programs and the degree  
14    of patient adherence to their medication regimen.

15    (b) Adopt strategies to increase patient participation in disease  
16    management programs. Goals for participation shall be specified  
17    for each program year.

18    (c) Adopt activities to prevent the onset of chronic diseases in  
19    patients by addressing the medical needs of the large insured  
20    population who are infrequently seen by medical staff, including,  
21    but not limited to, health assessment activities and programs to  
22    identify patients at risk for chronic disease. These activities and  
23    programs should involve family members of patients, community  
24    health groups, and patient support organizations, when  
25    appropriate, to encourage patient participation.

26    (d) Annually provide data to the board concerning trends in the  
27    population that have chronic diseases, including, but not limited  
28    to, their total pharmacy costs and hospital outpatient and inpatient  
29    days per year.

30    (e) Implement chronic disease management programs that  
31    include, but are not limited to, the diagnosing of a disease, the  
32    prescribing of appropriate and evidence-based drug therapy, the  
33    developing and monitoring of treatment plans, the tracking of  
34    patient adherence to the prescribed medication regimen, and the  
35    long-term followup of patient status, including, but not limited to,  
36    treatment costs. The following requirements shall also be imposed:

37    (1) Disease management programs with goals for patient  
38    outcomes shall be established for at least the following chronic  
39    conditions: arthritis, asthma, congestive heart failure, coronary

1 artery disease, depression, diabetes, high cholesterol,  
2 hypertension, and mental illness.

3 (2) Incentives shall be provided for patients with chronic  
4 diseases or patients at high risk for chronic diseases who enroll in  
5 disease management programs and adhere to their treatment  
6 regimen.

7 (3) Drug refill copayments shall be eliminated for patients with  
8 chronic diseases who enroll in disease management programs and  
9 adhere to their treatment regimen.

10 (f) Provide preventive care programs to the entire patient  
11 population, when appropriate, in smoking cessation, obesity  
12 prevention and treatment, childhood immunizations, breast cancer  
13 screening, prostate cancer screening, and chlamydia screening.

14 (g) State on all prescriptions Patient International  
15 Classification of Diseases (ICD-9) codes.

16 (h) When disease management care is provided, provide a  
17 comprehensive patient prescription history.

18 (i) Eliminate handwritten prescriptions and implement  
19 electronic prescribing technology upon the third year of contracts  
20 with the board that are governed by this section.

21 SEC. 4. Section 22793.4 is added to the Government Code, to  
22 read:

23 22793.4. (a) There is hereby established the Public  
24 Employees' Medical and Hospital Care Act Review and Advisory  
25 Panel consisting of 11 members, as follows:

26 (1) The consumer moderator of the Public Employees' Medical  
27 and Hospital Care Act Advisory Panel, to serve as panel  
28 moderator.

29 (2) The Chair of the Health Benefits Committee of the board.

30 (3) A person in an administrative capacity from the  
31 Department of Personnel Administration.

32 (4) Four public members appointed by the Senate Committee  
33 on Rules, one member each from the California Medical  
34 Association, the California Nurses Association, the California  
35 Association of Health Plans, and an organization that represents  
36 active beneficiaries under this part.

37 (5) Four public members appointed by the Speaker of the  
38 Assembly, including a faculty member from a school of pharmacy,  
39 and one member each from the California Pharmacists  
40 Association, the Pharmaceutical Research and Manufacturers of

1 *America, and an organization that represents retired beneficiaries*  
2 *under this part.*

3 *(b) The panel shall do all of the following:*

4 *(1) Monitor compliance with subdivision (e) of Section 22793*  
5 *and with Section 22793.3 by carriers.*

6 *(2) Review carrier efforts to establish benchmarks and “best*  
7 *practice” standards, as described in subdivision (e) of Section*  
8 *22793, for disease management proposals prior to their*  
9 *presentation to the Health Benefits Committee of the board and the*  
10 *board for final contract evaluation and approval.*

11 *(3) Monitor carriers on their compliance with providing*  
12 *general patient information regarding enrollment of target groups*  
13 *in disease management programs pursuant to Section 22793.3,*  
14 *adherence to medication treatment plans, and the provision of*  
15 *programs to address the needs of patients at risk for developing*  
16 *chronic diseases.*

17 *(4) Work with carriers to set goals, update standards of care for*  
18 *the treatment of members with chronic conditions or who are at*  
19 *high risk for chronic diseases, and review patient compliance data.*

20 *(5) Review periodic surveys of carriers and members regarding*  
21 *the attainment of disease management goals and benchmarks.*

22 *(6) Monitor trends in prescription drug therapy and pharmacy*  
23 *expenditures for members, including, but not limited to, clinical*  
24 *and utilization data, patient compliance or adherence levels, and*  
25 *any concomitant reductions in hospitalizations and outpatient*  
26 *hospital days.*

27 *(c) The panel shall annually report its recommendations and*  
28 *findings in relation to subdivision (b) to the Senate Committee on*  
29 *Public Employment and Retirement and the Assembly Committee*  
30 *on Public Employees, Retirement and Social Security. These*  
31 *reports shall be submitted in advance of any health benefits plan*  
32 *contract award, renewal, or extension, as applicable.*

33 *(d) The term of office for each member shall be a period of five*  
34 *years. Each member shall serve without compensation or*  
35 *reimbursement of expenses.*

36 ~~purpose of this act is to approve an agreement pursuant to Section~~  
37 ~~3517 of the Government Code entered into by the state employer~~  
38 ~~and an unspecified employee organization.~~

39 ~~SEC. 2.—The provisions of the memorandum of understanding~~  
40 ~~prepared pursuant to Section 3517.5 of the Government Code and~~

1 entered into by the state employer and State Bargaining Unit \_\_\_\_\_,  
2 and that require the expenditure of funds, are hereby approved for  
3 the purposes of Section 3517.6 of the Government Code.

4 SEC. 3. ~~The provisions of the memorandum of understanding~~  
5 ~~approved by Section 2 of this act that are scheduled to take effect~~  
6 ~~on or after July 1, 2003, and that require the expenditure of funds,~~  
7 ~~shall not take effect unless funds for these provisions are~~  
8 ~~specifically appropriated by the Legislature. In the event that funds~~  
9 ~~for these provisions are not specifically appropriated by the~~  
10 ~~Legislature, the state employer and the affected employee~~  
11 ~~organization shall meet and confer to renegotiate the affected~~  
12 ~~provisions.~~

13 SEC. 4. ~~Notwithstanding Section 3517.6 of the Government~~  
14 ~~Code, the provisions of any memorandum of understanding that~~  
15 ~~require the expenditure of funds shall become effective even if the~~  
16 ~~provisions of the memorandum of understanding are approved by~~  
17 ~~the Legislature in legislation other than the annual Budget Act.~~

